

## EXECUTIVE SUMMARY

### I. PURPOSE OF THE STUDY

In the past two years, Congress has enacted several pieces of legislation that will have significant impacts on the Social Security Disability Insurance (DI) Program and the Supplemental Security Income (SSI) Program. Some of the reforms affect these programs directly (“SSA reforms”), while others have an indirect effect through program interactions (“non-SSA reforms”). The two main pieces of legislation of interest for this report are: the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, which was later amended by the Balanced Budget Act (BBA) of 1997, and the Contract with America Advancement Act of 1996 (P.L. 104-121). PRWORA converted the Aid to Families with Dependent Children (AFDC) program from an open-ended entitlement program into an appropriated block grant program, Temporary Assistance for Needy Families (TANF), incorporating time limits on the receipt of benefits as well as strict work requirements. PRWORA also tightened child eligibility for SSI, narrowed program eligibility for non-citizens, reduced funding for Food Stamps, targeted funding to family day care homes under the Child and Adult Care Food Program, and enacted reforms in the child care programs and in the Child Support Enforcement Program. Section 105 of P.L. 104-121 mandated the removal of persons from the disability programs by January 1997 for whom drug addiction and/or alcoholism (DA&A) contributed materially to the determination of disability. The BBA restored SSI program eligibility for aliens receiving SSI prior to August 1996 and for legal non-citizens residing in the U.S. prior to August 1996 who become disabled in the future.

It is important for SSA to understand the effects of these reforms on the DI and SSI programs, for several reasons. For both budget and operational planning purposes, it is important to develop good estimates of future program participation.<sup>1</sup> It is also important to understand how the reforms will affect the composition of program caseloads; for example, are new participants more likely to be young adults, middle-aged adults, or children. Finally, as time progresses, it will be important to explain changes in participation to policy officials in the Executive Branch and Congress. An understanding of how these reforms are affecting SSA caseloads will enable SSA to better explain the dynamics of program change and will help support the development of policy improvements.

The purpose of this study is to develop options for evaluating the impacts of these reforms on SSA programs. Evaluation options are developed for estimating the impact of the non-SSA reforms alone, and for estimating the *total effect* of all recent SSA and non-SSA reforms. Currently, the impacts of two major SSA reforms have been or are currently being evaluated under separate contracts – the Lewin Group assessed the effects of the DA&A policy change, and RAND is evaluating the impact of the new SSI child policy. The options designed under this study build on these efforts.

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<sup>1</sup> The Office of the Actuary has identified this as an issue that requires further attention, but has not yet incorporated these issues into their projections. For a more complete discussion, see SSA (1998a).

## **II. APPROACH TO DEVELOPING EVALUATION DESIGN OPTIONS**

In developing the final options for evaluating the effects of the SSA and non-SSA reforms on the DI and SSI programs presented in this report, we conducted a number of activities intended to provide a variety of information that would facilitate the development of the evaluation options. These activities include: a major review of literature and other information; a review of ongoing and proposed state and other welfare reform evaluation efforts; site visits in five states; and the analysis of SSA administrative data, both by itself, and matched to data from the Survey of Program Participation (SIPP). In the sections below, we briefly describe each of these activities. The findings from the literature were presented in a previous report for the project entitled *Literature Review and Study Design Report* (Lewin, 1998b). Other findings are presented in subsequent chapters and appendices of this report.

### **A. Literature Review**

We reviewed and synthesized literature and substantial other material of relevance to the project for the purposes of:

- improving our understanding of reforms and the legislative and programmatic history underlying them;
- developing a conceptual framework to support the analysis options; and
- understanding the strengths and limitations of various analysis options and the data needed to support them.

Based on this review and synthesis, we further developed a subset of the preliminary options first presented in the *Literature Review and Study Design Report*. The literature review also contributed to the development of plans for the analyses of SSA administrative data and data from the Survey of Income and Program Participation (SIPP) presented in this report, which further supported the development of the final evaluation options presented.

### **B. Review of Welfare Reform Evaluations**

One approach to evaluating the effects of non-SSA reforms on SSI and DI is to build on existing or planned efforts to evaluate state welfare reform initiatives. For this reason, we reviewed a substantial number of planned or ongoing welfare reform assessments in order to identify opportunities for learning about the effects of those reforms on SSI and DI. The criteria we used in selecting the assessments for review include the following: the likely impact on SSI or DI of the reforms included in the assessment; evaluations of leading-edge programs enabling early assessment of TANF changes, such as benefit time limits; the quality of the design for determining the impacts of program changes; and broad assessments that provide information of relevance beyond specific states, particularly if they include information on participation in other programs. Our review of welfare reform evaluations identified a group of experimental evaluations that offer an opportunity to establish a causal link between specific TANF reform and SSI outcomes. We also identified quantitative and qualitative studies that can help SSA to track transition to SSI in specific states and to describe the policy and program context in those states.

### **C. State Site Visits**

We conducted three-day site visits to each of five states: California, Connecticut, Florida, Michigan, and Wisconsin. The primary purpose of the visits was to gain a better contextual understanding of the impact of non-SSA welfare reforms on SSA programs. A second purpose of the visits was to obtain detailed information on: on-going welfare evaluations of interest; the availability of state or local administrative or survey data; and the potential for linking the state data to SSA administrative data. The nature and availability of state-level data on the populations affected by the legislation have implications for some of the potential study designs.

In selecting the five states, we considered the following factors: size of the welfare population; “interesting” state waiver provisions outside the basic federal requirements; program time limits; stringent work requirements; availability of transitional Medicaid or child care; subsidized employment opportunities; evidence of past shifting of welfare recipients from state to federal rolls; and region of the country. In each state, we conducted interviews with representatives from the following types of agencies and organizations: entities conducting state AFDC waiver and demonstration projects prior to the passage of PROWRA; state TANF programs instituted after PROWRA; state and local General Assistance programs; state Medicaid programs; SSA field offices; and advocacy groups and local service providers.

In only one of the states we visited was there the perception that the recent welfare reforms had caused increased transitions to SSI. Interviewees in the other four states acknowledged the now increased incentive for recipients with disabilities to apply for SSI given the stricter work requirements of their TANF programs, and increased incentives for states to help them obtain SSI, but there is no perception of an actual migration to SSI following the most recent reforms. There are several reasons for this. First, most of the states we visited have been identifying and actively referring potential SSI-eligible welfare recipients to SSI since the early 1990s. Second, the time limits for benefit receipt had not yet elapsed for any recipients in the TANF programs.

We asked many knowledgeable people about the possible effects of Food Stamp and Medicaid reforms on SSI. None perceived or expected a significant effect of these reforms on the SSI program. Other effects identified by interviewees included an increase in employment services and other resources for persons with disabilities and concern for the welfare safety net for persons with disabilities.

### **D. Preliminary Analyses of the Pre-Reform Period**

We conducted two analyses of the pre-reform period. In the first, we examined national and state adult SSI disability application trends, by sex and age, for the period from 1988 to 1997. This includes both descriptive analysis and pooled time-series analysis of the state-level data. In the second, we used data from the 1990, 1991, 1992 and 1993 SIPP panels matched to SSA administrative data. This analysis includes both descriptive analyses and econometric (hazard) analyses of SSI applications and allowances. The SIPP analyses make use of the fact that we can observe the entire SSI participation history of each respondent in the administrative data.

Several important findings emerge from this analysis. First, there was a very substantial flow of program participants from AFDC to SSI during the pre-reform period. Of the young women (age

18 – 40) who were AFDC recipients when first observed in the SIPP panels, 7.5 percent were eligible for at least one SSI payment in the 1996-97 period. Some of these women (about two percent) had received SSI income before they were observed in SIPP, but most had not. While this is a relatively small share of AFDC recipients, the number of people it represents is large relative to the number of young female SSI recipients. For instance, it is nearly half as large as our estimate of the average young female SSI caseload in the 1990 – 1993 period.<sup>2</sup>

The numbers are larger for children who were identified as AFDC recipients via SIPP. The number of these children who received an SSI payment in 1996-97 is almost 80 percent of the estimated average child SSI caseload in the 1990 – 1993 period. The strength of the finding for children is not surprising, given *Zebley* and subsequent changes to the child eligibility criteria. The strength of the finding for young women is more difficult to explain. It could be attributable to historically high transitions from AFDC to SSI. We found, however, that only 24.6 percent of young women who were SSI recipients when observed in SIPP reported past AFDC receipt. In contrast, of those young women who received first SSI allowances after they were observed in SIPP, 42.7 percent were past AFDC recipients. This suggests that other factors increased transitions from AFDC to SSI over this period. We did not find any evidence that AFDC/TANF reforms prior had contributed to this shift, although this possibility cannot be ruled out on the basis of our analysis. Other possible explanations are growth in female-headed households, aging of the baby boom generation, various outreach efforts, administrative changes that made it easier to obtain benefits on the basis of psychiatric disorders, including substance abuse, and possible spill-over effects from *Zebley*.

Through our pooled time-series analyses of state level data, we found, though, that it is very difficult to disentangle the causes of SSI application and allowance growth from 1988 through 1993, or the sharp declines thereafter. The analysis of the national and state data clearly show that the economy, aging of the baby boom generation, and various state and federal policies are significant contributors to this pattern. We do not, however, have very good knowledge about their relative importance, or of the importance of other factors (e.g., growth in female-headed households). This makes it problematic to use analysis of this period for the purpose of generating the counterfactual SSI outcomes in the post-reform period. Although future efforts may be more successful in explaining past growth than the exploratory analysis reported here, the findings have discouraged us from recommending pooled time-series analysis of state data as a primary methodology for the evaluation.

The econometric analysis of applications and allowances using the four matched SIPP/SSA samples (pooled) demonstrates that this type of analysis is feasible, and provides a foundation for a viable evaluation option. Many of the characteristics of SIPP respondents who are at-risk for SSI when they are first observed are predictive of later SSI applications and allowances. These include education, family status, program participation and income variables, as well as self-reported disability and health.

The econometric analysis provides evidence of an upward shift in the probability of SSI application among young mothers, relative to the corresponding probability for other young

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<sup>2</sup> These numbers likely understate the size of the flow because of an artifact of the data.

women, from 1991 to 1995, but a downward shift of roughly equal magnitude from 1995 to 1997. Similar findings are found for men. The analysis also shows that it is difficult to identify the cause of such shifts via this methodology. A major limitation of the analysis is that the number of applications or allowances from the pooled SIPP samples in each state are too small in each year to estimate the effects of state factors, including welfare reforms.

### **III. EVALUATION OPTIONS**

#### **A. Objectives**

We present a series of options for evaluating the impacts of welfare reforms on SSA programs. Options are proposed for estimating the impact of non-SSA reforms alone, and for estimating the total effect of all recent SSA and non-SSA reforms. Several important considerations guided our development of the evaluation options:

- There is a strong consensus among the state and local people we interviewed during our site visits that the conversion of AFDC to TANF and the resulting strict work requirements and time limits had the greatest potential for producing a significant effect on SSA programs. There seems little reason to consider other non-SSA reforms at this time.
- Most of the impacts of non-SSA reforms will be on SSI and any effects on DI are likely to be via concurrent cases only. The only SSA reform that directly affects DI is the DA&A reform. Even in this instance, 79 percent of the beneficiaries directly affected were SSI recipients, including concurrent recipients (Lewin, 1998). Hence, apart from the evaluation of the effect of DA&A reforms on DI-only cases, it seems sensible to focus evaluation efforts on SSI, with auxiliary analyses of DI where feasible.
- It will be easier to detect the impacts of non-SSA reforms on applications and allowances than on caseloads or payments. Hence, it seems sensible to focus initial evaluation efforts for the effects of non-SSA reforms on applications and allowances.
- It is important to have realistic expectations about the information that a future evaluation can produce. It is unrealistic to expect accurate estimates of the total impacts of all reforms, or of specific non-SSA reforms alone. As was demonstrated by our efforts to model the pre-reform period, it is extremely difficult to account for more than a modest proportion of the factors that are responsible for changes in SSI applications and allowances over time. It is also very difficult to accurately control for the effects of factors such as the economy. There is, however, much that can be done to obtain useful information about the interactions between SSA and non-SSA programs, the intersection between the populations they serve, and how they both are changing over time because of program changes as well as other factors.
- The best way to rigorously evaluate the impacts of non-SSA reforms on SSI is by building on experimental welfare evaluations currently underway. Even though these evaluations will not produce nationwide estimates of the impacts of reforms, they offer a unique opportunity to establish a causal relationship between specific TANF reforms and SSI outcomes.

## **B. Summary of Options**

The four evaluation options outlined below and described in detail in *Chapter 6* of the full report are designed to achieve the best understanding of the effects of reform that is practical. SSA may choose to pursue some or all of these options. They can be implemented independently of one another or can be implemented so that the results of various approaches complement and support one another. The first option can provide information for every state as well as the nation as a whole, the second can provide national information, and the last two take advantage of opportunities that are only available in selected states.

### **1. Analysis of SSA Administrative Data**

This option would use SSA administrative data to produce estimates of the impacts of TANF on SSI applications, allowances, caseloads, and benefits, along with collateral estimates of impacts on DI outcomes for those who apply for SSI. It would also produce estimates for the combined impacts of TANF and DA&A reforms on outcomes for those adults who were not SSI recipients at the time the reform legislation was enacted, as well as for the combined impacts of TANF and SSI child reforms on outcomes for those children who were not SSI recipients at the time the legislation was enacted. Initial estimates for each post-reform year would be based on age-sex adjusted comparisons of changes in outcomes for target and comparison groups within each state. This would produce time series of estimates for each state, which could be aggregated to obtain national estimates. The reforms might explain any differences observed, although there will inevitably be competing explanations. The state estimates for the impacts of TANF would help SSA detect substantial shifts in SSI applications from, and allowances to, TANF recipients in each state, whether or not they could be definitively attributed to TANF reforms.

As stated above, the initial estimates are in the form of time series for each state for the observed post-reform period. SSA might want to construct the same series over the pre-reform period, and then conduct a pooled time-series analysis of the estimates over the pre- and post-reform periods, to better assess the extent to which TANF reforms contributed to trends in the estimates. While the marginal value of the pooled time-series analysis might be limited, the cost might also be low. The analysis would produce refined estimates of the impacts in each state, as well as nationally.

This option also includes a sub-option for evaluating the impact of new restrictions on SSI eligibility for non-citizens.

### **2. Analysis of Census/SSA Matched Data**

The analysis of applications and allowances presented in *Chapter 5* can be extended to produce a second national estimate of the impact of TANF reform on applications and allowances, and auxiliary equations can be developed to generate caseload and benefit estimates.

SSA has linked data from the 1984, 1990, 1991, 1992 and 1993 Surveys of Income and Program Participation (SIPP) and the 1991 and 1994 Current Population Surveys (CPS) to SSA administrative data. Future matches of both surveys are anticipated. This option would use these data to:

- Estimate the impact of TANF reforms on SSI applications, allowances, caseloads and benefits, given the SSA reforms, at the national level during the observed post-period. Estimates of impacts on DI outcomes for SSI applicants would also be produced ; and
- Estimate the combined impacts of all reforms on SSI caseloads and benefits in the post-period.

We used the 1990 – 1993 matched SIPP/SSA files to estimate the hazard models for SSI applications and allowances that are presented in **Chapter 5**. This analysis can be extended to study the impact of TANF on SSI outcomes. There is, however, an important *caveat*. It will be problematic to attribute estimated shifts in SSI applications from, and allowances to, those in the target population for TANF to TANF reforms themselves. As seen earlier, such shifts occurred before TANF. There are several explanations for these pre-TANF shifts, but our ability to discriminate among them is very limited. Future analysis is likely to encounter similar ambiguities.

Nonetheless, it would be useful for policymakers and planners to know when shifts from TANF to SSI are occurring, how large the shifts are, and the potential implications of the shifts for caseloads and costs. The estimates produced would also complement and validate the national estimates produced using the administrative data alone. A main advantage of the matched data over the administrative data alone is the availability of extensive information on the characteristics of SIPP respondents, including family characteristics and past participation in AFDC – information that can be used to better define target and comparison groups

The second part of this option addresses the need to evaluate the impacts of all reforms. We present a method that could use either the SIPP/SSA or CPS/SSA matched data. The approach would predict counterfactual caseloads in the post-period, using cross-sectional models estimated in the pre-period, and compare the size and characteristics of the actual and counterfactual caseloads. Actual and counterfactual benefits would also be compared. Again it will be problematic to attribute differences in the actual and counterfactual outcomes to the combined effects of the policy changes, exclusively. Differences in the characteristics of those in the actual and counterfactual caseloads should provide substantial information about how important the policy changes were.

The matched data could also be used to validate and improve the analysis of SSA administrative data.

### **3. State Welfare Reform Evaluations**

A number of states implemented time limits and strict work requirements in conjunction with HHS waivers prior to the passage of PRWORA in August 1996. Several of these states have continued experimental evaluations of their programs and offer the best opportunity to assess the impact of these provisions on both adult and child family members. Experimental evaluations offer the unique opportunity to follow the paths of families randomly assigned to treatment and control groups. To the extent that their pattern of SSI participation is significantly different, it is reasonable to conclude that the difference is due to the program intervention.

SSA could work with these states and their evaluation contractors to identify the information that can be obtained under the existing design and pursue the option of linking evaluation data with SSA administrative data to follow SSI applications and allowances among treatment and control group members, to supplement existing information as necessary.

We have identified nine states that have experimental evaluations in place and offer the opportunity to track research group members' interaction with SSA programs. We identify the nine states for further consideration, their evaluation contractors, the program design, and the potential link to SSI. Five of these states: Connecticut, Florida, Indiana, Iowa, and Minnesota have also identified specific child impact measures for incorporation into their studies.

We have also identified an experimental evaluation in California, the Employment Readiness Demonstration Project (ERDP), which offers the opportunity to explore the effects of mandatory work requirements and program services on individuals with multiple barriers to work. It may be interesting to explore the effects of a demonstration that focuses on individuals who might, as a group, have a greater probability of applying for SSI. All of the individuals in the research group are subject to a five-year time limit on receipt of cash assistance. Only those in the treatment group are receiving intensive services.

Finally, the newly funded Welfare to Work (WtW) Evaluation is still in its formative stages. HHS and its contractor, Mathematica Policy Research, have not yet selected sites to be included in the impact study. WtW will, by definition, focus services on the "harder to serve". For this reason, SSA could consult with the Office of the Assistant Secretary for Planning and Evaluation (ASPE) on the evaluation design and explore its relevance to questions of interest to SSA.

All of these experimental studies can help validate the estimates of the effects of TANF reforms produced with SSA administrative data. Comparisons of estimates for several states would help the evaluator to assess the reasonableness of the national estimates produced by both of the first two options.

#### **4. State Case Studies**

SSA could also conduct case studies of specific states using both quantitative and qualitative methods. SSA can use state administrative data, SSI administrative data, and survey research to track the SSI applications of current and former TANF recipients and the SSI allowances of former TANF recipients. Qualitative case study data can be used to provide contextual information regarding relevant TANF program and policy initiatives, the experience of SSA field offices and State DDSs, as well as the perceptions of state and local advocates and interest groups. SSA can implement this option by building on existing work in progress and by conducting its own tracking efforts and case studies.

There are two primary options for building on existing work. ASPE recently funded 14 State/County Welfare Leaver Studies. These studies involve the tracking of multiple cohorts of closed TANF cases over varying periods of time using both administrative data and surveys. SSA could contact ASPE to explore what information these studies will provide as currently funded. SSA could also explore working with ASPE and the states to establish SSA data linkages to the cases being tracked and/or to add questions regarding SSI application or receipt



among those surveyed. These projects are still in the formative stage; SSA might work with ASPE and the states to make minor changes in data collection plans that would add to the utility of these projects for SSA's purposes.

SSA could also explore further the extent to which the Urban Institute's "Assessing the New Federalism Project" addresses issues of interest to SSA. At a minimum, the study will provide detailed information on state policies in all states, case studies of program implementation in 13 states, and information on the status of low-income families in those same states. Six of the Urban Institute states (California, Florida, Massachusetts, New York, Washington, and Wisconsin) are also participating in the ASPE Welfare Leavers Study. Urban Institute case study findings from these six states could nicely complement the tracking information obtained through the welfare leavers study. It might be possible to add questions of special interest to SSA such as the treatment of persons with disabilities, or the active referral of TANF clients to SSA, to the current case study protocol.

SSA could also undertake its own tracking studies and case studies. SSA may want to identify a sample of states of special interest, perhaps those that account for a large share of SSI applications and allowances, and set up data matching arrangements to track transitions from TANF to SSI over time. Such arrangements could build on and supplement tracking data collected through the ASPE studies by tracking a larger sample of TANF families for a longer period of time than anticipated in those studies. We suggest exploring this possibility initially in Florida and California. Over time, SSA could expand tracking to other large states.

All of these descriptive study approaches will provide SSA information on the flow of TANF recipients into SSI and on implementation choices states are making that may be influencing those transitions. If collected over time in a number of states, this information might be used to support future modeling efforts of the effects of TANF on SSI. Information on state policies can provide important information for key independent variables in options using administrative data. Findings from the Urban Institute's Survey of American Families can help establish comparison groups of low income mothers and/or children who are not participating in TANF but have similar characteristics. It might also be used to validate estimates of TANF impacts that are based on SSA administrative data alone.

## **5. Other Data Sources**

We examined other data sources that SSA might find useful for the evaluation. One of special interest is part of the Urban Institute's New Federalism project: The Welfare Rules Database. While some data are collected concerning policy towards people with disabilities, SSA might find it valuable to encourage expansion of data collection on this topic.

We also identified a few state administrative databases that might be of interest for the evaluation, in addition to those mentioned above. Finally, we considered other survey data. Of these, the Survey of Program Dynamics – a six-year follow-up to the 1992 and 1993 SIPP – hold the most promise. It appears, however, that high attrition would make use of these data very problematic for SSA's purposes. Evidence from the SIPP suggests that attrition among those most likely to apply for SSI is higher than among other groups.

## 6. Summary

The following exhibit (*Exhibit ES-1*) summarizes the evaluation options we have developed. It is important to have realistic expectations about the information that a future evaluation can produce. It is unrealistic to expect accurate national estimates of the total impacts of all reforms, or of specific non-SSA reforms alone. There is, however, much that can be done to obtain useful information about the interactions between SSA and non-SSA programs, the intersection between the populations they serve, and how they both are changing over time because of program changes as well as other factors. SSA administrative data and matched Census/SSA data offer opportunities to conduct these types of analyses.

The best way to rigorously evaluate the impacts of TANF reforms on SSI is by building on experimental welfare evaluations currently underway. Even though these evaluations will not produce nationwide estimates of the impacts of reforms, they offer a unique opportunity to establish a causal relationship between specific TANF reforms and SSI outcomes. SSA can supplement information it gathers through experimental studies by conducting case studies of specific states using both quantitative and qualitative methods. SSA can use state administrative data, SSI administrative data, and survey research to track the SSI applications of current and former TANF recipients and the SSI allowances of former TANF recipients. Qualitative case study data can be used to provide contextual information regarding the TANF program and policy initiatives that influence the movement of clients from TANF to SSI.

The options outlined in *Exhibit ES-1* provide SSA a set of complementary approaches for expanding its understanding of the effects of welfare reform on SSA programs.

**Exhibit ES-1**  
**Summary of Evaluation Options**

Options		Reforms			Outcome Variables			
		AFDC/ TANF	Non-Citizens	Total	Applications	Allowances	Caseload	Benefits
1. SSA Administrative Data	DID*	0	0	0	0	0	0	0
	Pooled Time Series	0		0	0	0		
2. Matched Census/SSA Data	Hazard Analysis**	0			0	0	0	0
	Caseload Analysis	0		0			0	0
3. Welfare Impact Evaluation Add-ons***		0			0	0	0	0
4. State Case Studies***		0	0		0	0	0	0

\*Difference in Differences analysis.

\*\*Includes auxiliary analysis of benefit continuation and payments for allowed applicants.

\*\*\* In selected states only.